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United States Court of Appeals for the Federal Circuit

99-1471, -1478

MESSAGEPHONE, INC.,

Plaintiff-Cross Appellant,

v.

SVI SYSTEMS, INC.,

Defendant-Appellant,

and

THARALDSON PROPERTY MANAGEMENT, INC.,
(doing business as Holiday Inn Express)

Defendant.

DECIDED: August 11, 2000

Before MAYER, Chief Judge, CLEVINGER and GAJARSA, Circuit Judges.

GAJARSA, Circuit Judge.

On July 25, 1997, Messagephone, Inc. ("Messagephone") filed suit in the United States District Court for the Northern District of Texas, alleging that SVI Systems, Inc. ("SVI") and Tharaldson Property Management, Inc. ("Tharaldson")

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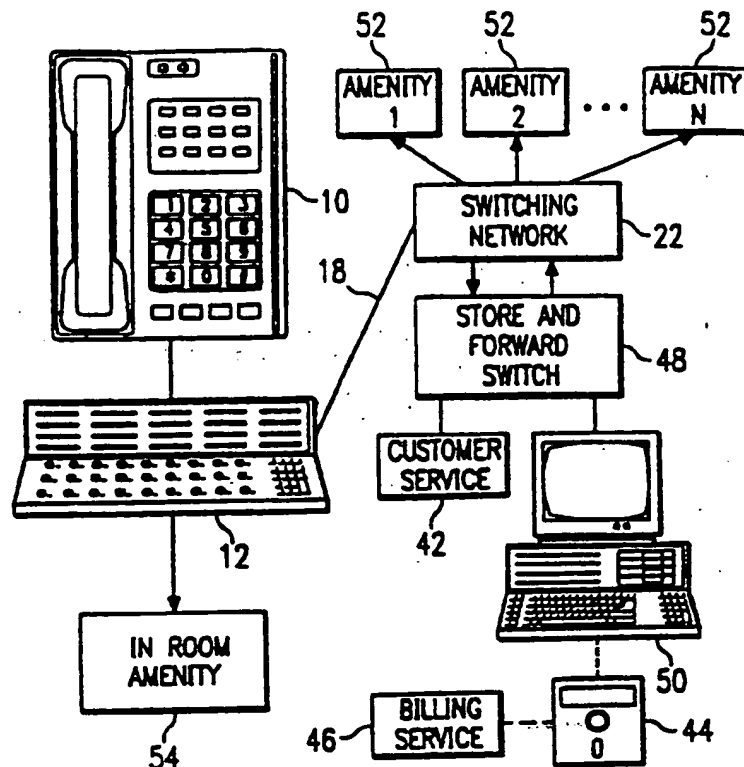
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infringed U.S. Patent Nos. 5,323,448 ("the '448 patent") and 5,475,740 ("the '740 patent"). The '448 and '740 patents relate to a system that allows hotel guests to order amenities in their rooms without incurring charges on their hotel bill. SVI appeals the following issues: (1) the denial of its motion to limit Messagephone's potential recovery of damages for infringement that occurred after Messagephone obtained legal title to the patents; (2) the denial of its motion for judgment as a matter of law ("JMOL") seeking to invalidate certain claims in the '448 patent for failure to comply with the written description requirement; (3) the Special Master's claim construction and the jury's finding that it willfully infringed claim 1 of the '448 patent and claims 1 and 32 of the '740 patent; and (4) the district court's award of treble damages and attorney fees to Messagephone. Messagephone cross-appeals the following issues: (1) the district court's grant of summary judgment that SVI did not infringe claim 18 of the '448 patent, and (2) the jury's finding that Tharaldson did not infringe any of the claims at issue. We reverse-in-part, vacate-in-part, and remand.

I. BACKGROUND

The '448 and '740 patents teach a system that enables hotel guests to order certain amenities, such as movies, in their hotel rooms without incurring charges on their hotel bill. The system includes a specially-equipped telephone that can process credit card information to authorize charges for selected amenities. Figure 2 from the '448 patent provides a diagram of the system.

FIG. 2



The system utilizes a telephone 10 that connects through a hotel's private branch exchange network 12 to a telephone switching network 22, which permits communication with various amenity providers 52 and a billing computer 50. To use the system, a hotel guest selects an amenity by dialing a predetermined code on the telephone buttons and then swipes the credit card through a credit card reader in the telephone 10. The telephone 10 then transmits the payment information through a switched telephone network 22 to the store and forward switch 48, which communicates with the billing computer 50 to validate the payment information. Following validation, the telephone 10 connects to the chosen amenity.

Claim 1 of the '448 patent provides as follows:

Apparatus for processing billing information through a switched network telephone system for offering pay per view amenities to a user at an amenity device within a facility, the apparatus comprising:

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- a telephone at said facility and connected to said switched network telephone system by a telephone line, said telephone for transmitting and receiving information on said line;
- a line powered card reader connected to said telephone for reading credit cards and extracting billing information therefrom;
- a power supply connected to said line and said card reader for converting power of said line to a power supply voltage with sufficient current to power said card reader;
- a processor connected to said card reader and said telephone for controlling said card reader to extract said billing information from said credit card and for transmitting said extracted billing information on said line;
- a billing computer connected to said telephone system for receiving and validating said transmitted billing information; and
- a central distribution computer located at said facility and connected without said switched network telephone system directly to said amenity device for facilitating the offer of a pay per view offering responsive to said billing computer validation.

Similarly, claim 18 of the '448 patent covers a method of accessing pay per view offerings at an amenity location within a facility through use of, among other things, a central distribution computer. Claim 18 provides as follows:

A method for user access to pay per view offerings at an amenity location within a facility, the method comprising:

- providing a central distribution computer within said facility, said central distribution computer being connected without a public switched network to said amenity location for offering a pay per view offering;
- providing a store and forward switch connected to said central distribution computer and providing a telephone connected to said store and forward switch, said store and forward switch receiving and storing from said telephone user billing information and pay per view offering identification information;
- responsive to said receiving and storing, said store and forward switch instructing said central distribution computer to offer a pay per view offering selected by said telephone user at said amenity location.

The precise term "central distribution computer" does not appear anywhere in the written description of the '448 patent.

In a similar vein, claim 1 of the '740 patent provides as follows:

Apparatus for accessing and paying for video entertainment amenities by a user at an amenity location connected to a pay-per-view (PPV) system, the apparatus comprising:

a telephone for entering billing information and amenity identification information;

a central distribution computer (CDC) connected to said telephone and said PPV system for storing and processing said entered billing and amenity identification information to facilitate the payment for said amenity and presentation of said amenity by said PPV system, said CDC including a store-and-forward switch (SFS) connectable to said telephone for storing and processing said entered information, and a graphics circuit connected to said SFS for generating user prompts to said PPV system responsive to said SFS processing, said CDC determining whether a prompt is to be initiated and determining the content of the prompt, thereby providing an interactive session between said PPV system and said telephone via the SFS; and a billing data base connected to said CDC for storing entered billing information received by said CDC.

Claim 32 provides as follows:

A method for accessing and paying for video entertainment amenities by a user at an amenity location connected to a pay-per-view (PPV) system, the method comprising:

entering billing information and amenity identification information using a telephone;
storing and processing said entered information to facilitate payment for and presentation of said amenity;
responsive to said processing, displaying graphic user prompts to said user with said PPV system, said PPV system determining whether a prompt is to be initiated and determining the content of the prompt, thereby providing an interactive session between said PPV system and said telephone; and
validating said entered billing information.

Upon issuance, the '448 and '740 patents were assigned to Spectradyme, Inc. ("Spectradyme"). On November 7, 1998, Messagephone received title to the '448 and '740 patents by written assignment from Spectradyme. The assignment provided Messagephone with Spectradyme's "entire right, title, and interest" under the patents, but it did not expressly grant Messagephone the right to sue for infringement that occurred prior to the assignment date. The assignment also contained a release provision in which Spectradyme disclaimed all claims it had against Messagephone for infringement of the '448 and '740 patents.

On July 25, 1997, Messagephone sued SVI and Tharaldson for infringement of the '448 and '740 patents. SVI sells computerized systems that enable hotel guests to order certain amenity services, such as movies, in their hotel rooms. Tharaldson, which does business under the cognomen of Holiday Inn Express, allows SVI's systems to be placed in its hotels.

At the outset of litigation, SVI filed a motion arguing that the November 7, 1996 assignment did not grant Messagephone the right to sue for infringement that occurred before the assignment date, and seeking to limit recovery of potential damages only to infringement that occurred after that date. As a result, Messagephone and Spectradyne executed a subsequent nunc pro tunc assignment on February 8, 1999, granting Messagephone the right to sue for infringement that occurred prior to the initial assignment date. The district court then denied SVI's motion.

SVI and Messagephone also filed cross motions for summary judgment on the issues of claim construction and infringement, and the district court appointed a Special Master to hear those issues. The Special Master held a Markman hearing to construe the disputed claim terms and issued a written opinion. The district court adopted the Special Master's report in full and used his claim construction to instruct the jury on infringement. Following the Special Master's claim construction, SVI filed two separate motions for summary judgment. In its first motion, SVI argued that claims 1 and 18 of the '448 patent are invalid for failure to satisfy the written description requirement with regard to the term "central distribution computer." In its second motion, SVI argued that, based on the Special Master's claim construction, it did not infringe claim 18 of the '448 patent. The district court denied the first motion and granted the second.

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The following issues, among others, then proceeded to trial: (1) whether claim 1 of the '448 patent was invalid for failure to comply with the written description requirement; (2) whether SVI's product infringed claim 1 of the '448 patent and claims 1 and 32 of the '740 patent; (3) whether SVI's infringement was willful; and (4) whether Tharaldson was also liable for infringement.

The jury returned a verdict finding: (1) that claim 1 of the '448 patent was not invalid for failure to comply with the written description requirement; (2) that SVI infringed claim 1 of the '448 patent and claims 1 and 32 of the '740 patent; (3) that SVI's infringement was willful; and (4) that Tharaldson was not liable for infringement. Following the jury verdict, the district court denied SVI's motion for JMOL motion, see Fed. R. Civ. P. 50(b), on the issue of written description. Messagephone did not file a JMOL challenging the jury's finding that Tharaldson did not infringe any of the disputed claims. The district court further determined that the issues were "not even close" and trebled the jury's damages award of \$2,648,614, which included damages for infringement that occurred before Messagephone acquired title to the '448 and '740 patents. The district court also awarded attorney fees to Messagephone.

SVI appeals (1) the denial of its motion for summary judgment seeking to limit potential damages to infringement that occurred after Messagephone acquired title to the '448 and '740 patents; (2) the denial of its JMOL seeking to invalidate claims 1 and 18 of the '448 patent for failure to satisfy the written description requirement; (3) the Special Master's claim construction of the term "switched telephone network" in claim 18 of the '448 patent and the terms "intelligent prompting" and "amenity identification information" in claims 1 and 32 of the '740 patent, as well as the jury's finding that it

willfully infringed those claims; and (4) the district court's award of treble damages and attorney fees. Messagephone, for its part, cross-appeals seeking reversal of the district court's grant of summary judgment that SVI did not infringe claim 18 of the '448 patent and the jury's verdict that Tharaldson did not infringe any of disputed claims.

STANDING

In order for a court to exercise jurisdiction, a plaintiff must have standing to sue on the date it files suit. See Minneapolis & St. Louis R.R. Co. v. Peoria & Pekin Union Ry. Co., 270 U.S. 580, 586 (1926) ("The jurisdiction of the lower court depends upon the state of things existing at the time the suit was brought."); Gaia Techs., Inc. v. Reconversion Techs., Inc., 93 F.3d 774, 780, 41 USPQ2d 1134, 1139 (Fed. Cir. 1996). We review questions of standing de novo. See Enzo Apa & Son, Inc. v. Geapag A.G., 134 F.3d 1090, 1092, 45 USPQ2d 1368, 1369 (Fed. Cir. 1998).

As a general rule, only a party that possessed legal title to a patent at the time the infringement occurred can bring suit to recover damages for such infringement. See Mas-Hamilton Group v. LaGard, Inc., 156 F.3d 1206, 1210, 48 USPQ2d 1010, 1013 (Fed. Cir. 1998); Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579, 19 USPQ2d 1513, 1517 (Fed. Cir. 1991); see also Crown Die & Tool Co. v. Nye Tool & Mach. Works, 261 U.S. 24, 40-41(1923) (explaining that "plaintiff in an action at law must be the person . . . in whom the legal title of the patent resided at the time of the infringement"). A narrow exception to the foregoing rule is that a party may sue for infringement transpiring before it acquired legal title if a written assignment expressly grants the party a right to do so; that right, however, must be articulated explicitly in the assignment and will not be inferred by the court. See Arachnid, 939 F.2d at 1579 & n.7.

19 USPQ2d at 1517 & n.7 (collecting cases and treatises supporting the proposition); see also Moore v. Marsh, 74 U.S. (7 Wall.) 515, 522 (1868) ("[I]t is a great mistake to suppose that the assignment of a patent carries with it the right to damages for an infringement committed before such assignment.").

In the present case, the November 7, 1996 assignment grants Messagephone the "entire right, title, and interest" in the '448 and '740 patents. The assignment, however, is silent as to Messagephone's right to sue for infringement that occurred prior to that date. Accordingly, in the absence of any explicit language conveying such a right, we hold that Messagephone lacked standing to sue for infringement of the '448 and '740 patents that occurred before November 7, 1996. Additionally, other provisions in the assignment confirm our conclusion. In particular, the assignment contains a release provision in which Spectradyne disclaimed all infringement claims it had against Messagephone. It logically follows, therefore, that the assignment did not grant Messagephone the right to sue for past infringement, otherwise the release provision would be rendered superfluous.

Citing Mas-Hamilton for support, Messagephone contends that the subsequent nunc pro tunc assignment executed on February 8, 1999, confers it with standing to sue for past infringement. We reject that argument for several reasons. This court's precedent clearly establishes that a nunc pro tunc assignment executed after filing of a lawsuit cannot retroactively cure standing that was deficient at the time of filing. See Enzo, 134 F.3d at 1093, 45 USPQ2d at 1371; Gaia Techs., 93 F.3d at 780, 41 USPQ2d at 1139. Nor does Mas-Hamilton hold to the contrary. Indeed, in Mas-Hamilton, we acknowledged that a nunc pro tunc assignment executed after a case is filed cannot

confer standing to sue for infringement if the assignee did not have title to the patents when the infringement occurred. 156 F.3d at 1211, 48 USPQ2d at 1014.

Furthermore, Mas-Hamilton is substantively distinct from the present case. In Mas-Hamilton, the assignor of the patent, who originally filed suit in district court, had standing to sue the defendant for past infringement. Id. at 1210, 48 USPQ2d at 1014. After the defendant filed an appeal, the assignor assigned the patent and the assignee assumed the appeal. See id. During the pendency of the appeal, the assignor executed a supplemental nunc pro tunc assignment giving the assignee the right to sue for past infringement. See id. On appeal, we held that standing was never wanting because the assignor had title to the patent both when the suit was filed and when the appeal was filed; as a result, the assignee could maintain the action for past infringement. See id. Thus, we concluded that the nunc pro tunc assignment was irrelevant because it was not used to cure deficient standing. See id. In the present case, by contrast, Messagephone, who filed suit as the assignee, did not have title to the '448 and '740 patents prior to November 7, 1996, and the initial assignment, as explained above, did not accord it standing to sue for infringement occurring prior to that date.

II. WRITTEN DESCRIPTION

Determining whether a patent specification complies with the written description requirement presents a question of fact, see Gentry Gallery, Inc. v. Berkline Corp., 134 F.3d 1473, 1479, 45 USPQ2d 1498 (Fed. Cir. 1998), which we review for substantial evidence following a jury verdict, see Baxter Int'l, Inc. v. McGaw, Inc., 149 F.3d 1321, 1332, 47 USPQ2d 1225, 1233 (Fed. Cir.1998). Although the substantial evidence

standard is a deferential one, it does not relegate this court to the ministerial task of merely rubber stamping the jury verdict. Rather, we must undertake a review of the entire record to determine whether it contains sufficient evidence upon which a reasonable jury could have found for the prevailing party. See National Presto Indus., Inc. v. West Bend Co., 76 F.3d 1185, 1192, 37 USPQ2d 1685, 1690 (Fed. Cir. 1996) (holding that a jury verdict must be sustained if it is supported by substantial evidence based on a review of the entirety of the record); see also Consolidated Edison Co. v. National Labor Relations Bd., 305 U.S. 197, 229 (1938) ("Substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.").

Section 112 provides that a patent specification "shall contain a written description of the invention." 35 U.S.C. § 112, ¶ 1 (1994). To satisfy the written description requirement, the specification must describe every element of the claimed invention in sufficient detail so that one of ordinary skill in the art would recognize that the inventor possessed the claimed invention at the time of filing. See Vas-Cath Inc. v. Mahurkar, 935 F.3d 1555, 1563, 19 USPQ2d 1111, 1117 (Fed. Cir. 1991); In re Gosteli, 872 F.2d 1008, 1012, 10 USPQ2d 1614, 1618 (Fed. Cir. 1989). While the exact terms employed in the claims need not appear verbatim in the specification, see Eiselstein v. Frank, 52 F.3d 1035, 1038, 34 USPQ2d 1467, 1470 (Fed. Cir. 1995), the specification must provide an equivalent description of the claimed invention through use of other descriptive words, "structures, figures, diagrams, formulas, [and so forth.]" See Lockwood v. American Airlines, Inc., 107 F.3d 1565, 1572, 41 USPQ2d 1961, 1966 (Fed. Cir. 1997).

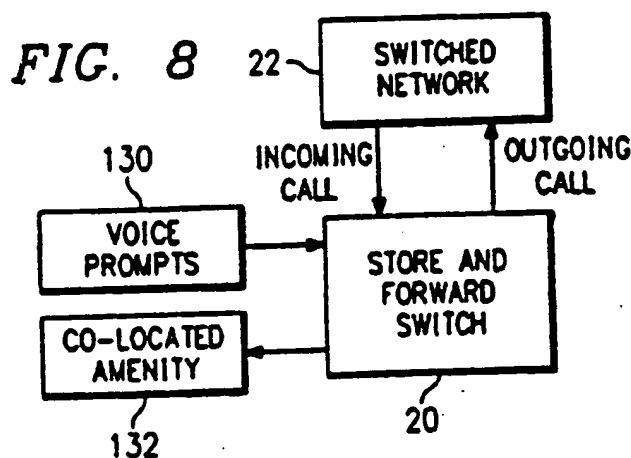
At the district court, SVI argued that claims in the '448 patent that invoke the term "central distribution computer" are invalid because the specification fails to describe the term in a manner that satisfies the written description requirement. In particular, SVI argued that the specification fails to describe the "central distribution computer" through either words or figures. Messagephone, on the other hand, argued that various figures in the specification adequately define the term. Following trial, the jury found that the claims comply with the written description requirement.

Claim 1 of the '448 patent recites, in pertinent part, a "central distribution computer located at said facility and connected without said switched network telephone system directly to said amenity device for facilitating the offer of a pay per view offering responsive to said billing computer validation." Based on the claim language, a satisfactory description of the central distribution computer must comport with two conditions: (1) the central distribution computer must connect directly to the amenity device, and (2) it cannot connect to the amenity device through the switched telephone network system.

Although the term "central distribution computer" does not appear anywhere in the specification, that alone is not fatal because the inventor can use drawings and other descriptive words to describe the term. See Lockwood, 107 F.3d at 1572, 41 USPQ2d at 1966. On appeal, as at trial, Messagephone advances several arguments to explain how the '448 patent specification describes the term "central distribution computer." First, Messagephone contends that the combination of the computer 50 and store and forward switch 48 (collectively "the computer/store-forward switch") constitutes the central distribution computer. In light of Figure 2, supra, and the claim

language, that argument is untenable. Claim 1 requires that the central distribution computer connect "directly to [the] amenity device" without connecting to the switched telephone network system. As gleaned from Figure 2, if the computer/store-forward switch operates as a single unit, then it cannot form the central distribution computer, as the term is used in the claims, because that unit connects to the switching network and then connects to the amenity device. Thus, Messagephone's proffered explanation directly conflicts with the claim language. We therefore hold that no reasonable jury could find that the computer/store-forward switch constitutes the central distribution computer.

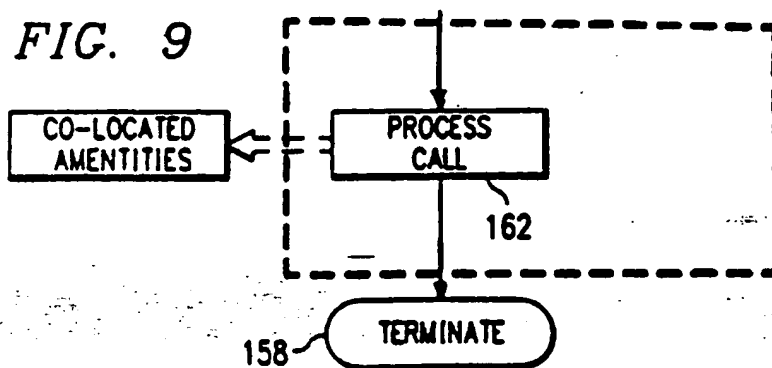
Messagephone also argues that Figure 8 of the '448 patent, reproduced below, illustrates the central distribution computer in the form of a store and forward switch connected directly to the amenity.



Portions of the specification discussing Figure 8 belie Messagephone's argument. For example, the specification explains that the "co-located amenity 132 allows the store-and-forward switch 20 to interface the amenity 132 through the switched network 22." (emphasis added). Thus, Figure 8 cannot describe the central distribution computer

because the claim language requires that the central distribution computer bypass the switched network. Moreover, the specification identifies Figure 8 as a block diagram of the store and forward switch, and no indication exists that the store and forward switch has any properties of a distribution computer.

Messagephone further argues that Figure 9, provided below, describes how the central distribution computer connects directly to the amenity device. That argument



That argument also fails. Figure 9 merely provides a flow chart of the store and forward switch; it does not mention, much less provide any description of, a central distribution computer.

Claim 18 recites a "central distribution computer . . . connected without a public switched network to said amenity location for offering a pay per view offering." The claim also recites a "store and forward switch connected to said central distribution computer and providing a telephone connected to said store and forward switch." This claim language makes clear that the central distribution computer and the store and forward switch are separate components that connect together. Thus, Messagephone's argument that the combination of the computer and the store and forward switch forms the central distribution computer cannot be reconciled with the language of claim 18

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that requires the central distribution computer to be distinct from the store and forward switch.

In sum, because no reasonable jury could find that the '448 specification complies with the written description requirement with regard to the term "central distribution computer," we reverse the district court's denial of SVI's JMOL and hold that claims 1 and 18 of the '448 patent are invalid.¹

CLAIM CONSTRUCTION

On appeal, SVI asserts that the Special Master erroneously construed two limitations in claims 1 and 32 of the '740 patent—the "intelligent prompt" clause and term "amenity identification information." Claim construction is a question of law that we review de novo on appeal. See Cybor Corp. v. FAS Techs., Inc., 128 F.3d 1448, 1456, 46 USPQ 1169, 1174 (Fed Cir. 1998) (en banc). Proper claim construction requires analysis of the patent record's intrinsic evidence—the claim language, the written description, and the prosecution history. See Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582-83, 39 USPQ2d 1573, 1576-77 (Fed. Cir. 1996). Resort to extrinsic evidence for purposes of claim construction is appropriate only if, after a review of the intrinsic evidence, the meaning of a claim term remains ambiguous. See Key Pharms. v. Hercon Labs. Corp., 161 F.3d 709, 716, 48 USPQ2d 1911, 1917 (Fed. Cir. 1998).²

During prosecution of the '740 patent, the Patent and Trademark Office examiner rejected claims 1 and 32 as obvious over U.S. Patent No. 5,077,607 ("the

¹ Because we hold that claims 1 and 18 of the '448 patent are invalid, we do not reach the claim construction and infringement issues associated with those claims.

Johnson patent") in light of U.S. Patent No. 4,700,386. The Johnson patent teaches a system that allows hotel guests to access amenities through an interactive television located in their hotel rooms. According to the Johnson patent, a guest uses a series of television screen menus to order desired amenities and authorize payment for those amenities through an in-room checkout procedure. During the checkout procedure, a screen menu displays a summary of the selected amenities and another screen displays the final bill.

In response to the examiner's rejection, the inventors of the '740 patent amended claims 1 and 32 by adding the following "intelligent prompt" clause: "said CDC [i.e., central distribution computer] determining whether a prompt is to be initiated and determining the content of the prompt." Accompanying the claim amendment, the inventors also argued that, in contrast to the Johnson patent, the '740 patent "initiates the prompts when the system determines the user needs help in entering billing or amenity identification information through the telephone."

To determine the meaning of a claim term, a court must analyze arguments and amendments made during the prosecution of a patent application. See Southwall Tech., Inc. v. Cardinal IG Co., 54 F.3d 1570, 1576, 34 USPQ2d 1673, 1676 (Fed. Cir. 1995). In the present case, the Special Master construed the "intelligent prompt" clause as requiring "initiative from the system as to the content of at least some prompt." That construction, however, erroneously ignores arguments made during prosecution to distinguish the claimed invention from the Johnson patent. To overcome the Johnson

² When interpreting claims, a special master or a district court should follow this court's precedent and construe claims without recourse to the accused device, or their own personal beliefs of what the law should be.

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patent, which teaches a system that determines the content of a prompt, the inventors argued that the claimed invention also performs the additional step of determining whether a prompt is necessary. Thus, based on the prosecution history, we hold that the "intelligent prompt" clause requires the central distribution computer to (1) determine if a prompt is necessary to assist a guest in selecting an amenity or providing billing information, and (2) the content of the prompt.

Claims 1 and 32 of the '740 patent also recite a limitation of storing and processing amenity identification information. The '740 patent explains that amenity identification information is generated by a guest's pressing amenity keypads on the room telephone. The patent further explains that amenity identification information refers broadly to a class of amenities, such as movies or fax services, rather than a specific amenity within that class, such as a particular movie.

The Special Master construed amenity identification information as meaning "credit card information or other data to assist billing." Such a broad construction is not supported by written description of the '740 patent, which makes clear that a system that provides only one class of amenities, such as movies, does not generate amenity identification information. Under the Special Master's claim construction, however, the term amenity identification information would cover a system that, for example, provides only movies, because the choice of a particular movie would be amenity information that assists billing. Moreover, the Special Master's claim construction is overly broad because it renders the claim term "billing information" redundant, by giving both terms the same meaning. Thus, we reverse the Special Master's claim construction and hold

that amenity identification information refers to a class of amenities within a system that offers more than one class.

In sum, because the jury's finding of infringement by SVI and non-infringement by Tharaldson were based on erroneously construed terms, we vacate those findings and remand for a determination of infringement in accordance with our claim construction. Thus, we also vacate the district court's award of treble damages and attorney fees.

CONCLUSION

Because we hold that the November 7, 1996 assignment did not grant Messagephone the right to sue for infringement before that date, we reverse the district court and limit the recovery of potential damages to infringement that transpired after that date. Also, because we hold that Messagephone failed to provide substantial evidence demonstrating that the '448 patent specification adequately described the term "central distribution computer," we grant SVI's JMOL, vacate the jury's finding that SVI infringed claim 1 of the '448 patent, and vacate the district court's grant of summary judgment that SVI did not infringe claim 18. We further hold that the Special Master misconstrued various terms in claims 1 and 32 of the '740 patent; thus, we vacate the jury's finding of willful infringement by SVI and non-infringement by Tharaldson, and remand for findings in accordance with our claim construction. As a result, we also vacate the district court's award of treble damages and attorney fees.

COSTS

Each party bears its own costs.